

## Message Text

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13

ACTION EB-03

INFO OCT-01 SS-14 ADP-00 EUR-10 NEA-06 NSC-10 NSCE-00

CIAE-00 INR-09 NSAE-00 RSC-01 T-01 OMB-01 H-01 L-02

PRS-01 PM-03 CIEP-01 USIA-04 RSR-01 AF-04 INRE-00

/073 W

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P R 140851 Z MAR 73

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC PRIORITY 1467

USMISSION EC BRUSSELS

USMISSION OECD BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY OTTAWA

AMEMBASSY ROME

AMEMBASSY TOKYO

INFO AMEMBASSY JIDDA

AMEMBASSY TRIPOLI

C O N F I D E N T I A L TEHRAN 1633

LIMDIS

E. O. 11652: GDS

TAGS: ENRG

SUBJ: POSSIBLE CONSUMER COOPERATION ON ENERGY

REF: STATE 44081

SUMMARY: GOI LIKELY TO TAKE RELAXED ATTITUDE TOWARD FORMATION OF CONSUMERS' GROUP WITH IMPORTANT EXCEPTION OF THREAT WHICH SUCH GROUP MIGHT PRESENT TO GOI INTERESTS IN CONSUMING NATIONS. END SUMMARY:

1. RECENT CALLS CODELS MATHIAS AND JACKSON ( AND JACKSON

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COMMITTEE STAFFER TUSSING) ON SENIOR NIOC OFFICIALS HAVE GIVEN EMBASSY UNUSUALLY GOOD BASIS FOR COMMENT ON REFTEL. IN PARTICULAR, THESE DISCUSSIONS AND FOLLOWUP CONVERSATIONS WITH EMBOFFS HAVE SHOWN THAT NIOC AND FINANCE MINISTRY ARE WATCHING CLOSELY CONSUMER REACTIONS TO PARTICIPATION AGREEMENT AND OIL COMPANY SETTLEMENTS WITH IRAN AND IRAQ.

2. GENERALLY, ON FUTURE INTERNATIONAL OIL INDUSTRY, NIOC AND SHAH APPEAR BELIEVE THAT EXPLODING DEMAND WILL ENSURE THAT ALMOST ALL PRODUCING NATIONS WILL BE ABLE SELL THEIR FULL PRODUCTION FOR NEXT 15 TO 20 YEARS AT GOOD PRICES. THEY DO NOT EXPECT ALTERNATE SOURCES ENERGY TO CUT INTO FOSSIL FUEL DEMAND SIGNIFICANTLY BEFORE LATE 1990'S, WHICH IS ALSO PERIOD DURING WHICH, NIOC EXPERTS BELIEVE ON BASIS PRESENT INFORMATION, IRANIAN PRODUCTION WILL BEGIN TAPER OFF. THUS, DURING THIS PERIOD OF MAXIMUM PRODUCTION AND MAXIMUM DEMAND, IRAN MUST OBTAIN GREATEST POSSIBLE INCOME WITH WHICH ASSURE ITS SECURITY AND EMERGE AS DEVELOPED NATION ABLE TO SUPPORT COMPLEX, HIGH- DEMAND ECONOMY ON BASIS DIVERSIFIED INDUSTRY, COMMERCE, AND AGRICULTURE.

3. SPECIFICALLY ON OIL PRICES, NIOC OFFICIALS SEE SELLERS' MARKET ( PARA 2) ENSURING SWIFT QUOTE NATURAL UNQUOTE CONTINUING RISE IN PRICES. THEY ARE NOT CONCERNED BY POSSIBILITY OF SMALLER PRODUCERS CHEATING ON PREVAILING PRICES SINCE THEY BELIEVE OVERWHELMING SHARE OF MARKET CONTROLLED BY THEMSELVES AND SAUDI ARABIA IS AMPLY SUFFICIENT SUSTAIN PRICE LEVELS AT ANY GIVEN TIME, IF BOTH COUNTRIES SO DESIRE. FOR THIS REASON, AMONG OTHERS, GOI REACTED SHARPLY TO YAMANI PROPOSAL FOR SPECIAL RELATIONSHIP WITH US AND STILL WATCHES THIS ISSUE CLOSELY. HOWEVER, GOI SEES NO OTHER REASON WHY WEALTHY SAUDIS WOULD DISCOUNT OIL AND BELIEVES IN ABSENCE EXCLUSIVE ARRANGEMENTS THAT IRAN AND SAUDI ARABIA WILL FIND NATURAL MUTUAL INTEREST IN MOVING PRICES UP QUICKLY AND STEADILY AFTER 1976 EXPIRY OF TEHRAN AGREEMENT.

4. GOI CONTINUES VALUE OPEC, WHICH IT HELPED FOUND AND FOR WHOSE MOST IMPORTANT ACHIEVEMENTS IT TAKES MUCH OF CREDIT. IN PARTICULAR, GOI BELIEVES OPEC ESPECIALLY IMPORTANT AS BEST PLACE TO SOLVE CERTAIN CONTINUING INTER- PRODUCER PROBLEMS SUCH AS COUNTRIES MAXIMIZING PRODUCTION VS COUNTRIES TRYING CONSERVE, AND COMPETITION FOR DOWNSTREAM FACILITIES.  
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6. AGAINST THIS BACKGROUND, EMBASSY BELIEVES GOI LIKELY BE UNPERTURBED BY CONSUMERS' BLOC FOR PURPOSES GIVEN REFTEL WITH ONE VERY DEFINITE EXCEPTION: GOI WOULD BE MOST SENSITIVE TO ANY INDICATION THAT CONSUMING NATIONS, EITHER JOINTLY OR INDIVIDUALLY, WERE PREPARED TO BE MUCH TOUGHER IN SUPPORTING THEIR OIL COMPANIES IN FUTURE, PARTICULARLY IF THIS TOUGHNESS THREATENED AFFECT IRANIAN INTERESTS IN CONSUMER NATIONS SUCH AS GOI EFFORT OBTAIN IMPROVED SPECIAL RELATION WITH EEC. LIKE OTHER PRODUCER NATIONS, GOI, AND ESPECIALLY SHAH, SEES THE HANDLING OF OIL RESOURCES AS AN ABSOLUTE MATTER OF SOVEREIGN RIGHTS, AND NOT AS NATIONAL INTEREST TO BE RECONCILED WITH INTERESTS OF OTHER NATIONS THROUGH NORMAL PROCESSES OF INTERNATIONAL INTERCHANGE.  
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\*\*\* Current Handling Restrictions \*\*\* LIMDIS  
\*\*\* Current Classification \*\*\* CONFIDENTIAL

## Message Attributes

**Automatic DecapTIONing:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 MAR 1973  
**DecapTION Date:** 28 MAY 2004  
**DecapTION Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** worrelsw  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
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**Executive Order:** GDS  
**Errors:** n/a  
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**Original Handling Restrictions:** LIMDIS  
**Original Previous Classification:** n/a  
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**Previous Handling Restrictions:** LIMDIS  
**Reference:** 73 STATE 44081  
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**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 JUL 2001  
**Review Event:**  
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**Secure:** OPEN  
**Status:** <DBA CORRECTED> jms 971208  
**Subject:** POSSIBLE CONSUMER COOPERATION ON ENERGY  
**TAGS:** ENRG  
**To:** BONN  
BRUSSELS  
EB  
EC BRUSSELS  
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OTTAWA  
PARIS

SECSTATE WASHDC  
THE HAGUE

**Type:** TE

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